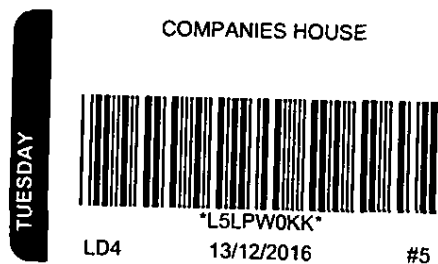


London Bus Services Limited

Annual Report and Financial Statements Year ended 31 March 2016

Registered Office
Windsor House
42-50 Victoria Street
London
SW1H 0TL

Registered in England and Wales
Number 03914787



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Directors' Report

Introduction

The directors present their annual report on the affairs of London Bus Services Limited (the "Company") together with the Financial Statements for the year ended 31 March 2016. The Company is a subsidiary undertaking of Transport Trading Limited ("TTL") and is part of the group headed by Transport for London ("TfL"), the "TfL Group".

Principal Activity

The principal activity of the Company is to provide and secure a network of public bus passenger transport services, and supporting infrastructure, in Greater London. The bus services are operated by private operators which work under contract. Revenue from passenger ticket fares on bus transport services is retained by the Company.

Directors

The directors, who served throughout the year and up to the date of this Report, were as follows:

L. Daniels

P. Doig

G. Emmerson

M. Weston

None of the directors had any beneficial interest in the shares of the Company or any other company within the TfL Group.

The Company maintains directors' and officers' liability insurance.

Employee Involvement and Communications

The Company has an employee communications strategy and plan in place to ensure that employees are provided with information on matters of concern to them, ensure that employees and union representatives are consulted on matters that may affect them, encourage employee engagement in the Company's strategy and performance, and enable employees to be aware of financial and economic factors that affect the Company's performance.

Consultation on issues affecting the workforce also takes place at regular intervals with representatives from the Company and trade unions.

Employee Practice

The Company values the diversity which exists in our city and aspires to this being reflected in our workforce. This is reflected not only in our recruitment and selection processes, but also throughout the employment cycle of every member of staff. The Company is committed to providing equal opportunities to all employees, irrespective of their gender, sexual orientation, marital status, creed, colour, race, ethnic origin or disability. The commitment extends to recruitment and selection, training, career development, flexible working arrangements and promotion and performance appraisal. The Company is committed to comply with our legal responsibilities under the Equality Act 2010 to make reasonable adjustments to a person's working conditions wherever possible. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and to provide specialised training where this is appropriate. Employee numbers are disclosed in the notes to the accounts.

Directors' Report

Health, Safety, Security and Environment

The Company is committed to continuous improvement in health, safety, security and environmental ("HSSE") performance. In addition to HSSE management as part of the normal business activity, HSSE objectives are identified and regularly reviewed to form short and longer term plans as a basis for improving health, safety, security and environment for customers, employees and suppliers. In conjunction with the Enforcement and On-Street Operations Directorate of TfL ("TfL"), the directors of the Company liaise closely with the Metropolitan Police Safer Transport Command Unit who provide dedicated policing for the bus network.

Charitable Donations and Political Contributions

No donations were made to charities during the year (£nil in 2014/15). No political contributions were made during the year (£nil in 2014/15).

Dividends

No interim dividends were paid during the year (2014/15 £nil) and the directors do not recommend the payment of a final dividend (2014/15 £nil).

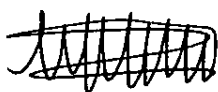
Corporate Governance

London Bus Services Limited is a wholly owned subsidiary of TfL, which in turn is controlled by TfL, which appoints all the directors of the Company. The Board of London Bus Services Limited, through its management structure, implements the corporate aims and controls laid down by TfL. Particulars in respect of corporate governance can be found in TfL's Annual Governance Statement.

Auditor

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. Accordingly, no auditors have been appointed.

Signed on behalf of the Board by



H. Carter

Company Secretary

20 June 2016

Strategic Report

Activities and Future Developments

As stated in the Directors' Report, the principal activity of the Company is to provide and secure a network of public bus passenger transport services, and supporting infrastructure, in Greater London. The bus services are operated by private operators which work under contract. Revenue from passenger ticket fares on bus transport services is retained by the Company. The Company does not anticipate any changes in its principal activities in the foreseeable future.

Financial and Business Review

The result for the year was £nil (2014/15 £nil)

The total number of passenger journeys for the year was 2.314 billion (2014/15 2.385 billion). Bus network income of £1,526 million for the year was less than 1 per cent lower than the previous year's total of £1,538 million.

The bus network remained resilient in the face of one of the most active eras of road modernisation in London. More than 2.3 billion passenger journeys were made on the network as a result of the high frequency of the network and many reliability measures introduced to avoid delays to buses on their way to destinations. This helped avoid more income from the bus network being lost.

To contend with London's growing population and economic activity, bus services continued to be tailored to demand to reflect changing travel habits and opportunities for inter-connected travel. Bus services have been enhanced with additional overall mileage including extensions to routes 70, 130 and EL2, major frequency increases on a dozen routes including the 127, 173, EL1 and EL2, and additional journeys on many more. Night services have also been enhanced with busy routes receiving frequency increases, and seven new night services introduced.

Buses continue to be the dependable workhorse of public transport for commuters during the day as well as at night when one out of every two people on board are heading to work and are part of the growing night-time economy. They remain one of the most important sources of investment in UK manufacturing with around 60 per cent of TfL's spend through its supply chain going to the UK. Maintaining a relatively young bus fleet requires from 600 to 800 new buses entering each year. One of the most prominent additions has been the New Routemasters which are deployed to mostly central London corridors where their hybrid technology can assist with exhaust emission reduction.

There are now more than 700 of these in the fleet, supporting bus manufacturing jobs in Northern Ireland, engine assembly in Darlington, seat making in Telford, wheelchair ramp construction in Hoddesdon, Herts, and flooring from Liskeard in Cornwall. The TfL Board gave approval to procure an additional 195 vehicles, taking the total number on order to 1,000 by summer 2017. Route 59 was the 22nd route to be converted in March and was followed by the 91 in April, the 211 in May and the 189 in June. As well as hybrid vehicles, the bus fleet now has 22 pure-electric and 8 hydrogen fuel-cell buses with no tailpipe emissions, and in east London there are range-extended hybrids which can operate up to 80 per cent of the time in all-electric mode with the help of battery boosts at wireless charging stations at Walthamstow and Canning Town bus stations. The contract to convert routes 507 and 521 to pure electric operation using 51 vehicles was awarded during the year.

During 2015/16, TfL also completed the second stage of an exhaust after-treatment fitment programme which saw the number of Euro III buses with selective catalytic reduction equipment rise to 2,200. This marks a major milestone in emissions reduction as the fitment programme, combined with replacement of other un-retrofitted buses from the fleet with new buses, meant that oxides of nitrogen emissions (NOx) were brought down 20 per cent compared to 2012 levels – contributing to cleaner air and a healthier environment for people living, working and visiting the capital. As part of a separate environmental target, the proportion of the fleet now served by cleaner hybrid buses is now approaching 20 per cent.

Strategic Report

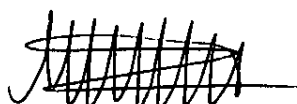
Principal Risks and Risk Management

The Company identifies, manages and mitigates significant areas of business risk as part of the normal course of business. The London Bus Services Limited Risk Management plan is set up to complement this basic management by the business and to provide a framework for the organisation to ensure that business risks are appropriately identified, reviewed regularly and that progress on the management of key business risks is tracked.

The principal risks that the Company is exposed to include safety, terrorism, employee relations, contractual claims, reputation and financial. All business risks are recorded on a risk register. For each risk, an owner has been identified who is responsible for implementing the mitigation strategy that has been identified.

As part of its overall corporate governance brief within the TfL Group, the TfL Audit and Assurance Committee has specific responsibility for assuring the TfL Board that effective risk management arrangements are in place. The risk management process is subject to annual review by the TfL Group's Director of Internal Audit.

Signed on behalf of the Board by

A handwritten signature in black ink, consisting of a series of loops and strokes, positioned above the name H. Carter.

H. Carter

Company Secretary

20 June 2016

Statement of Directors' Responsibilities

In Respect of the Directors' Report, the Strategic Report and the Financial Statements

The directors are responsible for preparing the Directors' Report, the Strategic Report, and the Financial Statements in accordance with applicable law and regulations

Company law requires the directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs") and applicable law.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with Adopted IFRSs, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

Income Statement

For the year ended 31 March

		2016	2015
	Note	£m	£m
Revenue	1	1,566.8	1,584.6
Net operating costs		<u>(2,187.7)</u>	<u>(2,163.8)</u>
Operating loss	3	(620.9)	(579.2)
Grant income	2	621.1	586.8
Other gains and losses	4	<u>5.5</u>	<u>(1.9)</u>
Total profit from operations		5.7	5.7
Financial expenses	7	<u>(5.7)</u>	<u>(5.7)</u>
Result before taxation		-	-
Income tax expense	8	<u>-</u>	<u>-</u>
Result for the year attributable to the owners of the Company		<u>-</u>	<u>-</u>

Statement of Comprehensive Income

For the year ended 31 March

	2016	2015
	£m	£m
Result for the year	-	-
Other comprehensive income and expenditure	<u>-</u>	<u>-</u>
Total comprehensive income and expenditure for the year attributable to owners of the Company	<u>-</u>	<u>-</u>

Statement of Financial Position

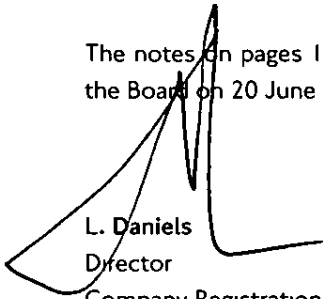
		31 March 2016 £m	31 March 2015 £m
	Note		
Non-current assets			
Intangible assets	9	4.1	4.8
Property, plant and equipment	10	443.0	347.3
Investment property	11	-	4.3
Investments	12	-	-
Trade and other receivables	14	14.4	20.7
		<u>461.5</u>	<u>377.1</u>
Current assets			
Inventories	13	0.7	2.6
Trade and other receivables	14	32.2	34.7
Cash and cash equivalents	15	0.2	1.1
		<u>33.1</u>	<u>38.4</u>
Current liabilities			
Trade and other payables	16	(115.3)	(114.4)
Provisions	18	(5.2)	(0.5)
		<u>(120.5)</u>	<u>(114.9)</u>
Non-current liabilities			
Trade and other payables	16	(5.6)	(5.9)
Borrowings	17	(148.5)	(128.5)
Deferred grants and other contributions	19	(219.0)	(165.2)
		<u>(373.1)</u>	<u>(299.6)</u>
Net assets		<u>1.0</u>	<u>1.0</u>
Equity			
Share capital	21	1.0	1.0
Retained earnings		-	-
Total equity attributable to the owners of the Company		<u>1.0</u>	<u>1.0</u>

Statement of Financial Position

The directors

- (a) confirm that the Company was entitled to exemption under section 479A of the Companies Act 2006 relating to subsidiary companies from the requirement to have its Financial Statements for the financial year ended 31 March 2016 audited,
- (b) confirm that members have not required the Company to obtain an audit of its Financial Statements for that financial year in accordance with section 476 of the Companies Act 2006, and
- (c) acknowledge their responsibilities for
 - (i) ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and
 - (ii) preparing Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of its financial year and of its surplus or deficit for the financial year in accordance with the requirements of sections 393 and 394 of the Companies Act 2006, and which otherwise comply with the requirements of that Act relating to financial statements, so far as applicable to the Company

The notes on pages 11 to 39 form part of these Financial Statements. These Financial Statements were approved by the Board on 20 June 2016 and signed on its behalf by



L. Daniels
Director

Company Registration Number 03914787

Statement of Changes in Equity

	Called up share capital	Retained earnings	Total
	£m	£m	£m
At 1 April 2014	1.0	-	1.0
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2015	1.0	-	1.0
Result for the year	-	-	-
Other comprehensive income and expenditure	-	-	-
At 31 March 2016	1.0	-	1.0

Statement of Cash Flows

For the year ended 31 March

		2016	2015
	Note	£m	£m
Cash generated from operating activities			
Result for the year		-	-
<i>Adjustments for</i>			
Amortisation of intangible assets	9	0.9	0.9
Depreciation of property, plant and equipment	10	35.9	29.3
Gain on disposal of property, plant and equipment	4	(0.2)	-
Gain on disposal of investment properties	4	(5.3)	-
Change in fair value of investment properties	4	-	1.9
Financial expenses	7	5.7	5.7
Release of deferred grant to the Income Statement	19	(17.2)	(12.4)
Cash flow from operating activities before movements in working capital		19.8	25.4
Decrease in inventories		1.9	0.1
Decrease in trade and other receivables		8.8	25.7
Decrease in trade and other payables		(2.7)	(8.8)
Increase/(decrease) in provisions		4.7	(0.1)
Cash generated from operations		32.5	42.3
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		0.2	-
Proceeds from disposal of investment properties		9.6	-
Acquisition of intangible assets		(0.2)	(0.6)
Acquisition of property, plant and equipment		(128.3)	(107.1)
Capital grants received		71.0	72.0
Net cash utilised by investing activities		(47.7)	(35.7)
Cash flows from financing activities			
Drawdown of loans from fellow group undertakings		20.0	-
Interest paid		(5.7)	(5.7)
Net cash generated from/(utilised by) financing activities		14.3	(5.7)
(Decrease)/increase in net cash during the year		(0.9)	0.9
Net cash and cash equivalents at the start of the year		1.1	0.2
Net cash and cash equivalents at the end of the year		0.2	1.1

Accounting Policies

a) Reporting entity

London Bus Services Limited (the "Company") is a company domiciled in the United Kingdom. The Company's registration number is 03914787. The address of the Company's registered office is 42-50 Victoria Street, London, SW1H 0TL. The Company is a subsidiary of Transport Trading Limited ("TTL") which is in turn a subsidiary of Transport for London ("TfL").

b) Statement of accounting policies

This section explains the Company's main accounting policies, which, unless otherwise stated, have been applied to all periods presented in these Financial Statements.

c) Basis of preparation

Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("Adopted IFRSs").

Basis of measurement

The accounts are made up to 31 March and have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current asset.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the Financial Statements in order to aid the reader's understanding of the Company's financial performance.

d) Uses of estimates and judgements

The preparation of Financial Statements in compliance with Adopted IFRSs requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the Financial Statements are disclosed below. It is not considered likely that any reasonably possible changes in key assumptions in the next 12 months would have a material impact on the carrying amounts of balance sheet items not already held on the Statement of Financial Position at fair value.

- **Leases**

In assessing whether a lease is an operating lease or a finance lease, judgement must be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Company. Given that finance leases are recognised as liabilities, and operating leases are not, this can have a significant effect on the reported financial position of the Company.

- **Classification of investment property**

IAS 40 Investment properties ("IAS 40") requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. The Company owns a number of commercial properties as part of its infrastructure where part of the property is leased out to third parties. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties. As investment properties are valued at fair value with movements in the fair value being recorded in the Income Statement, this could have a significant effect on the financial performance of the Company.

- **Investment property**

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value as calculated by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Gains and losses from changes in the fair value of investment property are included in the Income Statement for the period in which they arise.

Accounting Policies

- **Provisions**

Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Company. This can be very complex, especially when there is a wide range of possible outcomes.

- **Useful economic life of property, plant and equipment**

When determining the useful economic life of property, plant and equipment, judgement must be exercised in estimating the lengths of time the assets will be operational.

e) New standards and interpretations adopted for the first time in these Financial Statements

Standards and interpretations issued by the International Accounting Standards Board ("IASB") are only applicable if endorsed by the EU. The following amendments have been applied for the first time in these Financial Statements:

- 'Amendments to IFRS 19 Defined Benefit Plans: Employee Contributions' The amendments to IAS 19 clarify the accounting treatment for contributions made by employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service. If contributions are linked to services they reduce service costs. If they are not linked to services they affect the remeasurement of the net defined benefit liability.
- 'Amendments to IFRSs: Annual Improvements to IFRSs 2010-2012 Cycle' (Mandatory for years beginning on or after 1 July 2014) The amendments are as follows:
 - IFRS 2 Share-based Payment The amendment is to clarify the definition of vesting condition and market condition to ensure consistent classification of conditions attached to a share based payment.
 - IFRS 3 Business Combinations The amendment clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognised in profit and loss.
 - IFRS 8 Operating Segments The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of the segment assets are regularly provided to the chief operating decision-maker.
 - IFRS 13 Fair Value Measurement The amendment clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
 - IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets The amendments remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between gross carrying amount and the carrying amount after taking into account accumulated impairment losses, and
 - IAS 24 Related Party Disclosures The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related

Accounting Policies

party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. Disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.

- 'Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle' (Mandatory for years beginning on or after 1 July 2014) The amendments are as follows
 - IFRS 3 Business Combinations The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself,
 - IFRS 13 Fair Value Measurement The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32, and
 - IAS 40 Investment Property The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required

The application of these and any other standards, amendments or interpretations issued by the IASB and applicable for the first time to these Financial Statements has not had a material impact on the accounts

f) New standards and interpretations not yet adopted

The following new and revised IFRSs will be applicable in future periods, subject to endorsement where applicable. These have been issued by the EU, but have not been applied by the Company in these Financial Statements

- 'IFRS 9 Financial Instruments' (as revised in 2014) IFRS 9 (as revised in 2014) will supersede 'IAS 39 Financial Instruments Recognition and Measurement'. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. And with regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. The revised standard is mandatory for years beginning on or after 1 January 2018,
- 'IFRS 14 Regulatory Deferral Accounts' (mandatory for years commencing on or after 1 January 2016) This specifies the accounting for regulatory deferral account balances for entities that recognised regulatory deferral account balances under their previous GAAP. This does not apply to the TfL Group,
- 'IFRS 15 Revenue from Contracts with Customers' (mandatory for years beginning on or after 1 January 2018) IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services,
- 'Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations' (mandatory for years commencing on or after 1 January 2016) The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business,

Accounting Policies

- 'IAS 1 Disclosure Initiative' (mandatory for years on or after 1 January 2016) The amendments clarify the concept of materiality in practice as the wording of some of the requirements in IAS 1 has in some cases been read to prevent the use of judgement,
- 'Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation' (mandatory for years on or after 1 January 2016) The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset,
- 'Amendments to IAS 16 and IAS 14 Agriculture – Bearer Plants' (mandatory for years on or after 1 January 2016),
- 'Amendments to IAS 27 Equity Method in Separate Financial Statements' (mandatory for years beginning on or after 1 January 2016) The amendments focus on separate financial statements and allow the use of the equity method to account for investments in subsidiaries, joint ventures and associates in such statements,
- 'Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (mandatory for years beginning on or after 1 January 2016),
- 'Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities – Applying the Consolidation Exception' (mandatory for years beginning on or after 1 January 2016) The amendments clarify that the exemption from preparing financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value, and
- 'IFRS 16 Leases' (mandatory for years beginning 1 January 2019) This standard replaces the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged from the IAS 17 approach.

Other than where indicated above, the Company does not consider that these or any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the Financial Statements.

g) Going concern

The Financial Statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons:

- The Company is dependent on funds provided to it by TfL, its ultimate parent, in order to ensure working capital requirements are satisfied. TfL has indicated that for at least 12 months from the date of approval of these Financial Statements, it will continue to make such funds available to the Company. In addition, as set out in section 479A of the Companies Act 2006, the Company's immediate parent, TTL, has issued a guarantee over all outstanding liabilities to which the Company is subject as at 31 March 2016, and
- The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

Based on this undertaking, the directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis.

Accounting Policies

h) Revenue

Traffic revenue arises from activities such as the sale of tickets, revenue in respect of free and reduced fare travel

Other revenue arises from commercial advertising receipts and rental income

Revenue is measured after deductions for value added tax (where applicable)

Fare revenue

This relates to passenger fares income from bus transport in the Greater London area. Revenue from annual or periodic tickets and travel cards is recognised in the Income Statement on a straight line basis over the period of validity of the ticket or travel card. Revenue received in advance not yet recognised in the Income Statement is recorded in the Statement of Financial Position and held within current liabilities under receipts in advance. Oyster pay as you go and contactless payment revenue is recognised on usage and one day travel cards and single tickets are recognised on the day of purchase.

Revenue in respect of free and reduced fare travel for the elderly and disabled

Revenue from the London Borough Councils and County Authorities in respect of free and reduced fare travel for the elderly and disabled is recognised on a straight line basis over the financial year to which the settlement relates.

Other traffic revenue

This comprises income from sponsorship of bus routes and out of county. Sponsorship is recognised on an accruals basis over the term of the agreement. Out of county is recognised in the financial year in which the travel is completed.

Commercial advertising

Commercial advertising revenue is recognised on an accruals basis in accordance with the detail of the relevant agreements.

Rental income

Rental income is recognised on a straight line basis over the term of the relevant lease.

Other revenue

This comprises income from third party contributors and fellow Group undertakings. Both types of income are recognised on an accruals basis and third party contributions are also recognised in accordance with the detail of the relevant agreements.

i) Grants and other funding

Grants and other contributions received towards the cost of capital expenditure are recorded as deferred income in the Statement of Financial Position and released to the Income Statement over the estimated useful economic lives of the assets to which they relate.

Revenue grants received for the funding of operations are credited to the Income Statement on a systematic basis to match costs.

Accounting Policies

j) Employee benefits

Defined contribution scheme

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Income Statement in the periods during which services are rendered by employees.

Defined benefit plans multi-employer exemption

The majority of employees are members of a defined benefit scheme to which the Company contributes. However, it is not possible for the Company to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. This is because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. For this reason, as permitted by the multi-employer exemption in IAS 19 Employee Benefits ("IAS 19"), the scheme is accounted for as a defined contribution scheme and the Company's contributions are charged to the Income Statement as incurred.

Other employee benefits

Other short and long term employee benefits, including holiday pay and long service leave, are measured on an undiscounted basis and are recognised as an expense over the period in which they accrue.

k) Leases (the Company as lessee)

Leased assets

All leases are operating leases and the leased assets are not recognised in the Company's Statement of Financial Position.

Lease payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

l) Leases (the Company as lessor)

Rental income from operating leases and initial direct costs are recognised on a straight line basis over the term of the relevant lease.

m) Financial expenses

Financing costs comprise the interest expense on borrowings accrued using the effective interest rate method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. In accordance with IFRS 1 First time adoption of International Financial Reporting Standards ("IFRS 1") and IAS 23 Borrowing Costs ("IAS 23"), the Company has taken the option not to capitalise borrowing costs on assets prior to the date of transition to IFRS.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Income Statement using the effective interest rate method.

Accounting Policies

n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Income Statement except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities, to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same tax authority and the Company has the right of set off.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Property, plant and equipment

Recognition and measurement

Infrastructure consists of land, bus stations, garages, bus shelters, properties attached to infrastructure which are not separable from infrastructure, and properties attached to infrastructure which are used to facilitate the service provision and are limited in use by operational constraints. Some of these properties generate revenues which are considered to be incidental to the Company's activities.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses.

Assets under construction are measured at cost less accumulated impairment losses.

The cost of certain items of property, plant and equipment was determined by reference to a previous GAAP valuation. The Company elected to apply the optional exemption allowed under IFRS 1 to use this previous valuation as deemed cost at 1 April 2009, the date of transition.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Income Statement as incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Infrastructure	10-30 years
Other property	20-50 years
Plant and equipment	3-40 years

Assets under construction and freehold land are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds of disposal with the carrying amount, and are recognised net within other gains and losses in the Income Statement.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are ready for their intended use. Qualifying assets are defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A substantial period of time has been interpreted as being one year.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

q) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with any changes therein recognised in the Income Statement in the period in which they arise. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Properties are valued at fair value by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Properties are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income.

Accounting Policies

stream Properties are therefore categorised as level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements Properties with a carrying value in excess of £5,000,000 are valued annually Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years

An investment property is derecognised upon disposal Any gain or loss arising on derecognition of the property is included in the Income Statement in the period in which the property is derecognised The gain or loss on disposal of the property is calculated as the difference between the proceeds on disposal and the carrying amount of the asset

r) Inventories

Equipment and material held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction

Inventories are stated at the lower of cost and net realisable value Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition Cost is calculated using the weighted average method Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

s) Impairment

Non-financial assets

Impairment occurs when an asset would otherwise be recorded in the Financial Statements at an amount more than is recoverable from its use or sale

At each reporting date, the Company reviews the carrying amount of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss

Impairment losses are recognised in the Income Statement

t) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation Provisions are measured at Management's best estimate of the consideration required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material

u) Financial instruments

Financial assets within the scope of IAS 39 Financial Instruments Recognition and Measurement ("IAS 39") are classified as

- financial assets at fair value through the Income Statement,
- loans and receivables, or
- available for sale financial assets

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through the Income Statement or financial liabilities measured at amortised cost

The Company determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year end When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transactional costs The exception to this is for assets and liabilities measured at fair value through the Income Statement, where transaction costs are immediately expensed The subsequent measurement of financial instruments depends on their classification as follows

Accounting Policies

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Income Statement' or 'available for sale'. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

- ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. For trade receivables this is after an allowance for estimated impairment. The allowance is based on objective evidence that the Company will not be able to recover all amounts due, through a review of all accounts and prior experience of collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the Income Statement.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

- ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with maturity, at the date of acquisition, of less than or equal to three months.

- ***Financial liabilities measured at amortised cost***

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

- ***Trade and other payables***

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

- ***Interest bearing loans and borrowings***

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant assets are tested for impairment on an individual basis. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

All impairment losses are recognised in the Income Statement.

Accounting Policies

v) Fair value measurement

IFRS 13 Fair Value Measurement requires that financial instruments and other assets and liabilities that are measured in the Statement of Financial Position at fair value are measured by level of the following fair value measurement hierarchy

- **Level 1: quoted prices (unadjusted) in active markets for identical assets**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

- **Level 2: inputs other than quoted prices included that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)**

The fair value of financial instruments that are not traded in an active market (for example over the counter derivatives or infrequently traded listed investments) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- **Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)**

Specific valuation techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

Notes to the Financial Statements

1 Revenue

<i>For the year ended 31 March</i>	2016	2016	2015	2015
	£m	%	£m	%
Traffic revenue				
Fares collected	1,285.7	82.0%	1,300.4	82.0%
Revenue in respect of free travel for the elderly and disabled	240.2	15.3%	237.2	15.0%
Other traffic revenue	7.0	0.5%	7.2	0.5%
	<u>1,532.9</u>	<u>97.8%</u>	<u>1,544.8</u>	<u>97.5%</u>
Other revenue				
Intercompany	-	-%	9.8	0.6%
Rents receivable	4.7	0.3%	4.5	0.3%
Commercial advertising	22.6	1.5%	18.8	1.2%
Contributions from third parties to operating costs	2.2	0.1%	2.2	0.1%
Other revenue	4.4	0.3%	4.5	0.3%
	<u>33.9</u>	<u>2.2%</u>	<u>39.8</u>	<u>2.5%</u>
Total revenue	<u>1,566.8</u>	<u>100.0%</u>	<u>1,584.6</u>	<u>100.0%</u>

2 Grant income

<i>For the year ended 31 March</i>	2016	2015
	£m	£m
Revenue grant income receivable		
Grant from TfL to fund operations	<u>621.1</u>	<u>586.8</u>

Notes to the Financial Statements

3 Operating loss

For the year ended 31 March

	Note	2016 £m	2015 £m
Operating loss is stated after charging/(crediting):			
Capital items			
Depreciation of property, plant and equipment	10	35.9	29.3
Amortisation of intangible assets	9	0.9	0.9
Release of deferred capital grants to the Income Statement	19	(17.2)	(12.4)
Other operating costs			
Employee costs	5	33.6	34.3
Inventory expensed		2.0	1.8
Payments under operating leases		1.3	1.1

Auditors' remuneration

The Company had no audit fees for the years ending 31 March 2016 or 31 March 2015

4 Other gains and losses

For the year ended 31 March

	Note	2016 £m	2015 £m
Change in fair value of investment property	11	-	(1.9)
Net gain on disposal of investment property		5.3	-
Net gain on disposal of property, plant and equipment		0.2	-
		<u>5.5</u>	<u>(1.9)</u>

Notes to the Financial Statements

5 Employee costs

For the year ended 31 March

	2016	2015
	Number	Number
Average number of employees (including directors) in the year	<u>539</u>	<u>557</u>
	£m	£m
Wages and salaries	25.5	26.0
Social security	2.3	2.3
Defined contribution pension costs	<u>5.8</u>	<u>6.0</u>
	<u>33.6</u>	<u>34.3</u>

6 Directors' emoluments

For the year ended 31 March

	2016	2015
	Number	Number
Number of directors who received remuneration from the Company during the year	1	1
Number of directors who were members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

The directors received the following remuneration

For the year ended 31 March	2016	2015
	£	£
Salaries, fees and benefits in kind	<u>168,084</u>	<u>172,237</u>

Directors' emoluments and benefits were borne by other Group companies for 3 directors (2014/15 3 directors)

The highest paid director received the following remuneration

	2016	2015
	£	£
Salaries, fees and benefits in kind	168,084	172,237
Accrued benefit under defined benefit pension scheme	<u>67,433</u>	<u>66,549</u>

Notes to the Financial Statements

7 Financial expenses

For the year ended 31 March

	2016	2015
	£m	£m
Interest on loans from fellow Group undertakings	5.7	5.7

8 Taxation

Reconciliation of tax expense

For the year ended 31 March

	2016	2015
	£m	£m
Result before tax	-	-
Result before tax multiplied by standard rate of Corporation Tax in the UK of 20% (2014/15 21%)	-	-
Effects of:		
Non-taxable and non deductible items	1.5	-
Amount charged to the current tax computation for which no deferred tax was recognised	2.7	4.1
Utilisation of brought forward tax losses for which no deferred tax was recognised	(1.7)	(4.1)
Group relief surrendered/(claimed)	(2.5)	-
Income tax expense for the year	-	-

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of the following items

	31 March 2016	31 March 2015
	£m	£m
Deductible temporary differences	65.3	57.2
Tax losses	-	0.8
	65.3	58.0

The items above do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilise the benefits.

Notes to the Financial Statements

Recognised deferred tax

Deferred tax assets have been recognised to the extent of the deferred tax liabilities

Movements were in respect of the following items

	Opening balance £m	Movement in profit or loss £m	Closing balance £m
<i>For the year ended 31 March 2016</i>			
Deferred tax assets			
Deferred government grants	0.4	(0.4)	-
Deferred tax liabilities			
Assets held for sale - potential capital gain	-	-	-
Investment property - potential capital gain	(0.4)	0.4	-
Net deferred tax asset/(liability)	-	-	-
<i>For the year ended 31 March 2015</i>			
Deferred tax assets			
Deferred government grants	0.8	(0.4)	0.4
Deferred tax liabilities			
Investment property - potential capital gain	(0.8)	0.4	(0.4)
Net deferred tax asset/(liability)	-	-	-

The Corporation Tax rate was reduced from 23 per cent to 21 per cent on 1 April 2014, and from 21 per cent to 20 per cent on 1 April 2015. On 15 July 2015 further legislation was enacted setting the Corporation Tax rate at 19 per cent for the years starting 1 April 2017, 2018 and 2019 and at 18 per cent for the year starting 1 April 2020. In March 2016 the government issued a proposal to further reduce the main rate of Corporation Tax to 17 per cent. This reduction, however, has not yet been enacted. As the Company's deferred tax balances are not expected to be settled until after April 2020, deferred tax balances at 31 March 2016 have therefore been calculated at the enacted rate of 18 per cent.

Notes to the Financial Statements

9 Intangible assets

a) Intangible assets at 31 March 2016 comprised the following elements

	Note	Software costs £m	Assets under construction £m	Total £m
Cost or valuation				
At 1 April 2015		21.5	0.3	21.8
Additions		0.2	-	0.2
Transfers (to)/from other asset classes		0.3	(0.3)	-
At 31 March 2016		22.0	-	22.0
Amortisation				
At 1 April 2015		17.0	-	17.0
Charge for the year	3	0.9	-	0.9
At 31 March 2016		17.9	-	17.9
Net book value at 31 March 2016		4.1	-	4.1
Net book value at 1 April 2015		4.5	0.3	4.8

b) Intangible assets at 31 March 2015 comprised the following elements

	Note	Software costs £m	Assets under construction £m	Total £m
Cost or valuation				
At 1 April 2014		21.1	0.1	21.2
Additions		0.4	0.2	0.6
At 31 March 2015		21.5	0.3	21.8
Amortisation				
At 1 April 2014		16.1	-	16.1
Charge for the year	3	0.9	-	0.9
At 31 March 2015		17.0	-	17.0

Notes to the Financial Statements

10 Property, plant and equipment

a) Property, plant and equipment at 31 March 2016 comprised the following elements

	Note	Infrastructure and other property £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 2015		247.4	339.3	3.9	590.6
Additions		16.6	109.9	5.1	131.6
Transfers (to)/from other asset classes		1.3	1.7	(3.0)	-
Disposals		(0.2)	(17.2)	-	(17.4)
At 31 March 2016		265.1	433.7	6.0	704.8
Depreciation					
At 1 April 2015		106.1	137.2	-	243.3
Charge for the year	3	12.1	23.8	-	35.9
Disposals		(0.2)	(17.2)	-	(17.4)
At 31 March 2016		118.0	143.8	-	261.8
Net book value at 31 March 2016		147.1	289.9	6.0	443.0
Net book value at 1 April 2015		141.3	202.1	3.9	347.3

b) Property, plant and equipment at 31 March 2015 comprised the following elements

	Note	Infrastructure and other property £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 2014		235.7	242.6	5.7	484.0
Additions		7.3	97.1	3.7	108.1
Transfers (to)/from other asset classes		5.2	0.3	(5.5)	-
Disposals		(0.8)	(0.7)	-	(1.5)
At 31 March 2015		247.4	339.3	3.9	590.6
Depreciation					
At 1 April 2014		96.8	118.7	-	215.5
Charge for the year	3	10.1	19.2	-	29.3
Disposals		(0.8)	(0.7)	-	(1.5)
At 31 March 2015		106.1	137.2	-	243.3

Notes to the Financial Statements

11 Investment property

		2016	2015
	Note	£m	£m
Valuation			
Fair value at 1 April		4.3	6.2
Change in fair value	4	-	(1.9)
Disposals		(4.3)	-
Fair value at 31 March		-	4.3

The fair value of the Company's investment properties were arrived at on the basis of valuations carried by Cushman & Wakefield, a property valuation company not connected with the Company, and by chartered surveyors working for TfL. Values were calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and were based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate were derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is their current use.

Properties are valued in accordance with the Valuation Standards (sixth edition) published by the Royal Institution of Chartered Surveyors. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years.

The Company's investment properties were let on a tenant repairing basis. The Company's maintenance obligations were limited to common areas and vacant property units.

12 Investment in subsidiaries

	2016	2015
	£m	£m
Investment in subsidiaries at cost		
Carrying value of investment brought forward	-	-
Carrying value of investment carried forward	-	-

Subsidiary	Percentage of share capital held	Class of share held	Nature of business	Country of incorporation
London Dial-a-Ride Limited	100%	2 ordinary £1 shares	dormant	England

Notes to the Financial Statements

13 Inventories

	2016	2015
	£m	£m
Raw materials and consumables	<u>0.7</u>	<u>2.6</u>

There is no material difference between the carrying value of inventories and their net realisable value

Inventories consist of spares and general parts for maintenance of bus communications equipment

14 Trade and other receivables

	2016	2015
	£m	£m
Current		
Trade receivables	20.0	7.5
Amounts due from fellow Group undertakings	0.4	0.4
Other tax and social security	0.2	2.3
Prepayments	9.5	21.9
Accrued income	2.0	2.6
Other receivables	<u>0.1</u>	<u>-</u>
	<u>32.2</u>	<u>34.7</u>
Non-current		
Prepayments and accrued income	<u>14.4</u>	<u>20.7</u>

15 Cash and cash equivalents

	2016	2015
	£m	£m
Cash at bank	<u>0.2</u>	<u>1.1</u>

Notes to the Financial Statements

16 Trade and other payables

	2016 £m	2015 £m
Current		
Trade payables	3.7	6.2
Accruals and other payables	64.1	65.0
Project accruals	8.7	5.4
Amounts due to fellow Group undertakings	32.1	32.1
Deferred income	5.3	3.3
Salaries and wages	1.3	2.2
Other tax and social security creditors	0.1	0.2
	<u>115.3</u>	<u>114.4</u>
Non-current		
Deferred income	<u>5.6</u>	<u>5.9</u>

17 Borrowings

	2016 £m	2015 £m
Non-current		
Amounts due to fellow Group undertakings	<u>148.5</u>	<u>128.5</u>

Amounts due to fellow Group undertakings

All borrowings due to fellow Group undertakings are repayable on demand with a two year notice period

No notice has been given on these loans as at the date of signing of these accounts

The weighted average interest rates on borrowings outstanding at the year end were as follows

	2016	2015
Weighted average interest rate	4.13%	4.44%

Notes to the Financial Statements

18 Provisions

	2016 £m	2015 £m
Current		
Provisions	5.2	0.5

	At 1 April 2015 £m	Utilised in the year £m	Charge for the year £m	Reversed during the year £m	At 31 March 2016 £m
Movement on provisions					
Contractual provisions	0.1	-	-	(0.1)	-
Severance provision	0.4	(0.3)	0.2	-	0.3
Other provisions	-	-	4.9	-	4.9
	<u>0.5</u>	<u>(0.3)</u>	<u>5.1</u>	<u>(0.1)</u>	<u>5.2</u>

	At 1 April 2014 £m	Utilised in the year £m	Charge for the year £m	Reversed during the year £m	At 31 March 2015 £m
Movement on provisions					
Contractual provisions	0.1	-	-	-	0.1
Severance provision	0.5	(0.5)	0.5	(0.1)	0.4
	<u>0.6</u>	<u>(0.5)</u>	<u>0.5</u>	<u>(0.1)</u>	<u>0.5</u>

Severance provision

These provisions are expected to be settled within one year

Other provisions

Other provisions include claims in respect of ongoing contracts and are provided for at Management's best estimate of the likely outcome. These provisions are expected to be settled within one year.

Notes to the Financial Statements

19 Deferred grants and other contributions

		2016	2015
	Note	£m	£m
Deferred grants and other contributions at start of year		165.2	105.6
Capital grant received during the year		59.4	70.4
Third party contributions and other capital grants		11.6	1.6
Released to the income statement:			
To meet the depreciation charge	3	(17.2)	(12.4)
Deferred grants and other contributions at end of year		<u>219.0</u>	<u>165.2</u>

20 Pensions

The Company offers retirement plans to its employees

Public Sector Section of the TfL Pension Fund

During the year, the majority of the Company's staff were members of the Public Sector Section of the TfL Pension Fund, which is a final salary scheme established under trust. Benefits are based on employees' length of service and final pensionable pay. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of Transport for London. Under the rules of the Fund, its 18 trustee directors are nominated in equal numbers by Transport for London and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund's Actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2015 by the Actuary, a partner of consulting actuaries Towers Watson, using the projected unit method.

A revised Schedule of Contributions was agreed between the Trustee and the employers following the 2015 formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employer's contributions for the period from 1 April 2016 until 31 March 2022 will continue to be 31.0%, with an additional lump sum of £37.8m, increased in line with RPI, payable by 31 March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2022.

It is not possible to identify the Company's share of the underlying assets and defined benefit obligation of the Public Sector Section of the TfL Pension Fund. This is because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. Thus, in accordance with IAS 19, the Company accounts for contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The Company's contributions to the Fund of £5.8 million (2014/15 £6.0 million) have been charged to the Income Statement.

A valuation of the Public Sector Section of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2016. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the sections' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The liabilities for the TfL Pension Fund have been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2015. Standard mortality tables were used, adjusted to reflect the recent mortality.

Notes to the Financial Statements

experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2015 projections with a long term improvement rate of 1.25 per cent per annum.

The IAS 19 deficit on the Public Sector Section of the TfL Pension Fund at 31 March 2016 was £3,091.9 million (31 March 2015 £2,737.5 million). As stated above, it is not possible to identify the Company's particular share of the deficit. Further details of the Public Sector Section position can be found in the Statement of Accounts of Transport for London.

IAS 19 specifies how key assumptions should be derived and applied. These assumptions are often different to the assumptions adopted by the pension scheme actuary and trustees in determining the funding position of pension schemes.

The IAS 19 valuation is broadly based on the Section's assets being valued at market value at year end, using quoted market prices for the valuation of equities and bonds. The defined benefit obligation is discounted at the rate of return on high quality corporate bonds of equivalent term to the defined benefit obligation.

The fair value of the Fund's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present values of the Fund's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were as shown below.

The figures include the assets and defined benefit obligation of the entire Public Sector Section of the TfL Pension Fund, and include members who are employed by, and whose contributions are made by Transport for London and its subsidiaries. This is because, as stated above, it is not possible to identify the Company's particular share. Further details of the Public Sector Section's position can be found in the Statement of Accounts of Transport for London.

Actuarial assumptions at 31 March

	2016	2015
	%	%
Inflation - RPI	3.00%	3.00%
Inflation - CPI	2.00%	n/a
Rate of increase in salaries	3.00%	3.00%
Rate of increase in pensions in payment and deferred pensions	2.98%	2.98%
Discount rate	3.60%	3.35%

Fair value of Section assets and liabilities at 31 March

	Value at 31 March 2016	Value at 31 March 2015
	£m	£m
Equities	6,165.1	6,758.5
Bonds	1,922.4	1,140.4
Cash, property and other assets	54.7	25.8
Total market value of assets	8,142.2	7,924.7
Actuarial value of Section liabilities	(11,234.1)	(10,662.2)
Closing Section net obligation	(3,091.9)	(2,737.5)

Other schemes

Contributions of £nil (2014/15 £nil) have been charged to the Income Statement towards various smaller funds.

Notes to the Financial Statements

21 Share capital

	2016	2015
	£m	£m
Share capital issued and fully paid		
1,000,000 ordinary shares of £1 each	<u>1.0</u>	<u>1.0</u>

22 Financial instruments

Financial risk management

The Company's financial risk management operations are ultimately carried out by the Board of Directors

The Company's financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. The Company finances operations from these financial instruments. The Company does not undertake speculative treasury transactions.

The Company is exposed to a number of financial risks in the normal course of its business operations, the key of which are laid out in the paragraphs below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet contractual obligations. Credit risk arises from deposits with banks and financial institutions and from the Company's customers and suppliers.

The Company follows the TfL Finance Manual guidelines with respect to assessing the credit worthiness of potential customers. These guidelines include processes such as obtaining approval for credit limits over a set amount, performing credit checks and obtaining additional security when required.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk is low as TfL provides financial support to the Company.

In accordance with the Local Government Act 2003 TfL sets an affordable borrowing limit. As long as the affordable borrowing limit is not exceeded TfL is able to borrow from the Public Works Loan Board and raise debt on capital markets. There is no significant risk that TfL would be unable to raise finance to meet the TfL Group financial commitments.

Market risk

The Company is exposed to market risk in respect of interest rate risk only. The Company is not exposed to any material price or currency risk.

Interest rate risk

The Company does not have any exposure to interest rate risk on its financial liabilities as the only interest bearing financial instruments are fixed interest loans from TfL.

The Company is exposed to interest rate risk on cash balances. This risk is managed by TfL, the Company's ultimate parent.

Notes to the Financial Statements

Sensitivity analysis

Fair value sensitivity analysis for fixed interest instruments

Changes in the market interest rates of financial instruments with fixed interest rates only affect income if these are measured at their fair value. All the Company's financial instruments with fixed rates of interest are accounted for at amortised cost and are not subject to interest rate risk as defined in IFRS 7 Financial Instruments Disclosures.

Contractual maturity of financial liabilities

Borrowings from TfL are repayable on demand with a two year notice period. Interest on borrowings from TfL is paid annually. All other financial instruments are due within one year.

Fair value of financial instruments

The fair value of the Company's financial instruments is not materially different to their carrying value.

Capital management

The capital structure of the Company consists entirely of shareholder's equity and borrowings from the Company's ultimate parent, TfL. The Company has no external borrowings and no externally imposed capital requirements. It is not anticipated that the Company will require external borrowings for the foreseeable future as it is provided with grants and borrowings from its ultimate parent, TfL, to fund operations and capital projects.

The Company does not have a credit rating but TfL, the Company's ultimate parent which provides financial support to the Company, has a credit rating of AA with Fitch, AA+ with Standard & Poor's and Aa2 with Moody's.

23 Operating lease commitments

Operating lease commitments - The Company as lessee in third party contracts

The Company is committed to the following future minimum lease payments under non-cancellable operating leases with third parties. All leases have been entered into on commercial terms.

	Land and property £m
At 31 March 2016	
Amounts due in less than one year	0.9
Amounts due in years 1 to 5	2.8
Amounts due in more than 5 years	37.9
	41.6
At 31 March 2015	
Amounts due in less than one year	0.6
Amounts due in years 1 to 5	2.6
Amounts due in more than 5 years	38.3
	41.5

Notes to the Financial Statements

Operating lease commitments – The Company as lessee in related party contracts

The Company is committed to the following future minimum lease payments under non-cancellable operating leases with fellow undertakings within the Transport for London Group. All leases have been entered into on commercial terms

	Motor vehicles £m
At 31 March 2016	
Amounts due in less than one year	0.6
Amounts due in years 1 to 5	1.2
	1.8
At 31 March 2015	
Amounts due in less than one year	0.5
Amounts due in years 1 to 5	1.2
	1.7

Operating lease commitments – The Company as lessor in third party contracts

The Company has contracted with third party customers for the following future minimum lease receipts. All leases have been entered into on commercial terms

	Land and property £m
At 31 March 2016	
Amounts due in less than one year	2.0
Amounts due in years 1 to 5	7.5
Amounts due in more than 5 years	38.3
	47.8
At 31 March 2015	
Amounts due in less than one year	3.0
Amounts due in years 1 to 5	9.0
Amounts due in more than 5 years	37.6
	49.6

Notes to the Financial Statements

Operating lease commitments – The Company as lessor in related party contracts

The Company has contracted with fellow undertakings within the Transport for London Group for the following future minimum lease receipts. All leases have been entered into on commercial terms.

	Motor vehicles £m
At 31 March 2016	
Amounts due in less than one year	1.1
Amounts due in years 1 to 5	4.4
Amounts due in more than 5 years	1.3
	6.8
At 31 March 2015	
Amounts due in less than one year	1.1
Amounts due in years 1 to 5	4.6
Amounts due in more than 5 years	2.3
	8.0

24 Capital and other financial commitments

a) At 31 March 2016, the Company had capital commitments of £79.1m which are contracted for but not provided for in the Financial Statements (2015 £104.6m)

b) At 31 March 2016, the Company had no other financial commitments which are contracted for but not provided for in the Financial Statements (2015 £nil)

25 Contingent liabilities

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the financial performance of the Company. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Statement of Financial Position, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Company's financial performance, liquidity or financial position is not considered to be material.

Notes to the Financial Statements

26 Related party transactions

During the year none of the Company's directors, key management personnel or parties related to them, have undertaken any material transactions with the Company (2014/15 none). Details of directors' emoluments can be found in note 6.

The Company is a wholly owned subsidiary of TfL. TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 ("GLA Act 1999"). It is a functional body of the Greater London Authority ("GLA") and reports to the Mayor of London. TfL is classified as a government entity in accordance with IAS 24 *Related Party Disclosures* ("IAS 24") and the Company is therefore also classified as a government entity in accordance with IAS 24.

The GLA and its other functional bodies, and all other subsidiaries of TfL, are considered to be related parties of the Company.

The Company has traded with the following related parties that are classified as government entities:

- Receipt of funding from TfL in the form of grants (see notes 2 and 19),
- Interest accrued on loans from TfL as disclosed in note 7, and
- Loans received from TfL as disclosed in note 17.

The Company has completed the following further transactions that are collectively significant transactions with related parties:

- Recharge for various services and provision of equipment by TTL, TfL and other TfL subsidiaries.

These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not government-related.

27 Ultimate parent undertaking

The Company is a wholly owned subsidiary of TTL, a company controlled by TfL which is the ultimate parent undertaking.

The largest group in which the results of the Company are consolidated is that headed by TfL, a statutory corporation. The smallest group in which they are consolidated is that headed by TTL, a company incorporated in England and Wales.

The Board of London Bus Services Limited has been given assurances of financial support by TfL.

Copies of the consolidated accounts for TfL are available from Windsor House, 42-50 Victoria Street, London, SW1H 0TL.

28 Events occurring after the reporting date

At the date on which the Financial Statements were approved by the Board of Directors, there had been no event that had occurred since 31 March 2016 that would have a material impact on these Financial Statements.